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ABSTRACT

This unit on choosing the type of ownership of a small business, the fifth in a series of 18 modules, is on the second level of the revised PACE (Program for Acquiring Competence in Entrepreneurship) comprehensive curriculum. Geared to advanced secondary and beginning postsecondary or adult students, the modules provide an opportunity to learn about and try out entrepreneurship ideas so that students can make a preliminary assessment of how these ideas relate to personal needs. The units on this level contain detailed explanations of small business principles, suggestions on how to find information and use techniques, and encouragement for creating a future business. Students completing this unit should be able to perform these competencies: (1) explain the basic principles of a sole proprietorship, a partnership, a corporation, a cooperative, and a franchise; (2) identify the factors that influence the choice of a type of ownership; and (3) investigate sources of assistance in choosing a type of ownership. The unit is organized into five sections. Following a preliminary section on how to use the unit (with vocabulary and a review of the objectives for this topic on level 1), the unit's information is presented in question-and-answer format. Individual and group activities, an assessment to be completed with the teacher, and sources used to develop the unit follow. A list of the modules of Revised PACE, Level 2 completes the unit. (KC)

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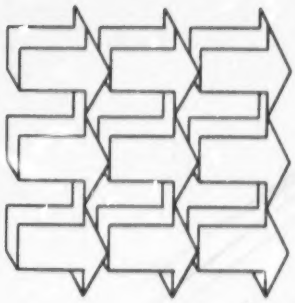
PACE
REVISED
Program for Acquiring Competence in Entrepreneurship



UNIT 5

☐ Level 1
☑ Level 2
☐ Level 3

Choosing the Type of Ownership

Developed by M. Catherine Ashmore and Sandra G. Pritz

You will be able to:

- **Explain the basic principles of a sole proprietorship, a partnership, a corporation, a cooperative, and a franchise.**
- **Identify the factors that influence the choice of a type of ownership.**
- **Investigate sources of assistance in choosing a type of ownership.**

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Research & Development Series No. 240 BB 5

BEFORE YOU BEGIN. . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read the Unit Objectives on the front cover. If you think you can meet these objectives now, consult your instructor.

3. These objectives were met at Level 1:

   - Describe sole proprietorships, partnerships, corporations, cooperatives, and franchises
   - Identify examples from your own community of each of the types of business ownership
   - Describe the advantages and disadvantages of proprietorships, partnerships, corporations, franchises, and cooperatives

   If you feel unsure about any of these topics, ask your instructor for materials to review them.

4. Look for these business terms as you read this unit. If you need help with their meanings, turn to the Glossary in the *Resource Guide*.

   articles of copartnership
   exclusive selling agreement
   net worth

CHOOSING THE TYPE OF OWNERSHIP

WHAT IS THIS UNIT ABOUT?

It would be simple if the decision about the form of organization for your business were as easy as choosing among sole proprietorship, partnership, corporation, franchise, or cooperative. But there are different types of partnerships and corporations. More decisions need to be made once you decide on the main form of organization for your business.

The main purpose of this unit is to examine some of the principles of different types of ownership, factors that influence choice, and sources of assistance in choosing a type of ownership.

WHAT IS A SOLE PROPRIETORSHIP?

The most common form of business organization is the *sole proprietorship*—sometimes called the individual proprietorship. This business is owned by one person. It is usually operated by this person. Many times, though, it is run with the help of a few employees, often family members. Sole proprietorships can usually operate with very limited capital resources (money). Sole proprietorships exist in a great variety of businesses. These may include the neighborhood beauty parlor, bike repair shop, restaurant, newsstand, and accounting office.

The sole proprietorship is the least complicated form of organization. It is the easiest to enter and terminate. Entry requires little more than a location, expertise in the area of business considered, a source of capital, the ability to make contracts, and the desire to start your own business. Terminating generally requires paying your debts and closing your doors.

WHAT IS A PARTNERSHIP?

Next to the sole proprietorship, the *partnership* is the least complicated way to begin and operate a business. A partnership is a business that has two or more (usually not more than five) co-owners. Often, but not always, a partnership is formed when a sole proprietor takes on additional owners. These additional owners help in certain areas of expertise or skill. They may also aid in expanding the business by raising additional capital as there is a limit to what one person can borrow. Partnerships are found in every type of business including law and medical firms. Forming a partnership may be the answer for many businesses, especially those that require more initial capital than one person can raise alone.

Several types of arrangements can be made with a potential partner. For example, not all partners want to have equal ownership and responsibility. They may desire to be a limited partner. Most limited partners invest in a business. They do not have a voice in management.

WHAT IS A CORPORATION?

Another type of ownership is the *corporation*. Sole proprietorships outnumber corporations in the total number of U.S. businesses. But in the number of dollars earned and people employed, the corporation is the largest form of business organization in the United States today. The corporation is an association of three or more owners that is chartered by a state. It is given the power to transact business, to enter into contracts, and to sue or be sued as a legal entity. The corporation acts on its own through its officers. They have power to make contracts and carry out business activities. These are done in the same manner as a sole proprietorship or partnership. Thus, a corporation is an entity created through state laws for the purpose of doing business.

The owners of a corporation are the stockholders. The numbers of stock certificates they purchase determines the extent of their ownership. After the corporation has been chartered, the stockholders must elect a board of directors. The board of directors appoints the officers or managers of the business.

Forming a corporation offers advantages to those who need lots of capital, but it requires a large amount of extra capital to start and to operate. The corporation is not suitable for all businesses. However, it is an important part of the American economic system.

WHAT ARE COOPERATIVES?

A *cooperative* is an organization of individuals with similar interests and problems who have joined together to perform certain activities. Although cooperatives are not a legal form of ownership, they do represent a structure owned and directed by its own customers (members). The formal ownership structure for most cooperatives is similar to that of a corporation. A cooperative is financed by selling shares to its members to whom it distributes profits (dividends). The rate of distribution of profits and even the system for sharing profits among all members vary greatly from one co-op to another.

Most cooperatives form to serve the needs of a group more effectively. Since a group acting collectively can sometimes serve its members' needs more effectively than individuals acting alone, cooperatives are more important in some fields than others. For example, farming cooperatives are important organizations.

There are many different forms of cooperatives. Some of the more common cooperatives are:

- Food co-ops
- Gasoline co-ops
- Housing co-ops

- Credit unions
- Mutual insurance associations
- Mutual savings and loan societies
- Group health co-ops
- Nursery (daycare center) co-ops
- Electric power co-ops
- Travel co-ops
- Bakery co-ops

These cooperatives are organizations for selling, buying, or providing services. Some cooperatives perform a combination of these activities. Many well-known companies are never thought of as being cooperatives. FTD (Florists' Transworld Delivery), IGA (Independent Grocery Association), Consumers' Union, United Parcel Service, Nationwide Insurance, and Ohio Wool Growers' Cooperative Association are all cooperatives.

WHAT IS A FRANCHISE?

A *franchise* is basically a contract to distribute and sell a parent company's goods or services in a specified geographic area. The franchise is sold by a parent company. This is the franchisor. The franchise is sold to an individual. This is the franchisee. The contract establishes a continuing association between the two persons. The franchisee is guaranteed the right to use the parent company's name and product. In turn, the franchisee pays a percentage of the profits to the franchisor. Specific procedures vary from company to company. However, the franchise is based on a contract listing the rights and restrictions on both parties.

WHAT ABOUT SOLE PROPRIETORSHIPS?

Because of the ease of establishing a sole proprietorship, it is by far the most common type of business organization. The sole proprietorship is so uncomplicated to begin that, unfortunately, it often ends in failure. Most businesses that fail do so because of several reasons. But a main factor behind these conditions is often that the business hinges on the planning and work of only one person—the sole proprietor. Often, the proprietor does not possess the expertise needed to manage all the areas of business alone. The sole proprietor stakes everything on the ability to succeed. If the business fails, she or he alone is liable. This liabilty extends beyond the business; a home, a car, and other possessions may be lost in the event of failure. Not all sole proprietorships fail, however. Careful planning and management expertise are two factors that are essential if this type of business is to succeed and expand. Perhaps this is the form of ownership best suited to your needs.

ARE THERE ANY ADVANTAGES TO BEING A SOLE PROPRIETOR?

The sole proprietorship offers many advantages to the creative, skilled entrepreneur. The business is taxed lightly because profits are taxed only as personal income. Therefore, in the beginning, the sole

proprietor may not have to pay additional income tax because the business profit may not be large enough to put the owner in a high tax bracket. The sole proprietor has great freedom from government regulations and in operating the business. A license is all that is required for certain types of businesses.

WHY DO ENTREPRENEURS CHOOSE PARTNERS?

Next to the sole proprietorship, partnerships are the second most popular form of business organization for small businesses. Partnerships are formed for many reasons. Some partnerships are formed by two or more new entrepreneurs. Partnerships are sometimes formed when you, as a sole proprietor, need expertise in an area that you feel you are lacking. Or you may want more sources of capital to expand your operation. In the latter two cases you, as the owner, are looking for a particular type of business person to share your business venture.

Partnerships face the same chances of failure as do new sole proprietorships. Most businesses that fail do so because of several reasons. However with input from more than one person, planning is apt to be more thorough. The skills of each partner may mean the difference between success and failure.

Finding a partner is not an easy task. You should find someone who possesses the skills you lack. The prospective partner should be willing to take the financial risk and the management responsibility. Business partners must get along well and trust each other. Being friends is one thing; being partners is quite another.

ARE THERE DIFFERENT TYPES OF PARTNERS?

The potential partner can pursue several options to allow for the different needs of the partners and the special needs of each business. Not all partners want to be equal or general partners. Not all businesses need a new general working partner. Therefore, several different types of partners may be included in a partnership.

WHAT IS A GENERAL PARTNER?

The general partner contributes financially to the partnership and works actively in the business. All partners must have at least one general partner for liability purposes. The general partner has the unlimited liability for the firm. General partners get an equal share of any profits.

WHAT ARE THE TYPES OF LIMITED PARTNERS?

There are several kinds of limited partners. The most common type of limited partner is the *silent partner*. This person serves as a source of capital by investing money in the business in the hope of a financial return. The silent partner does not take an active part in the management of the business, but is publicly known to be a partner.

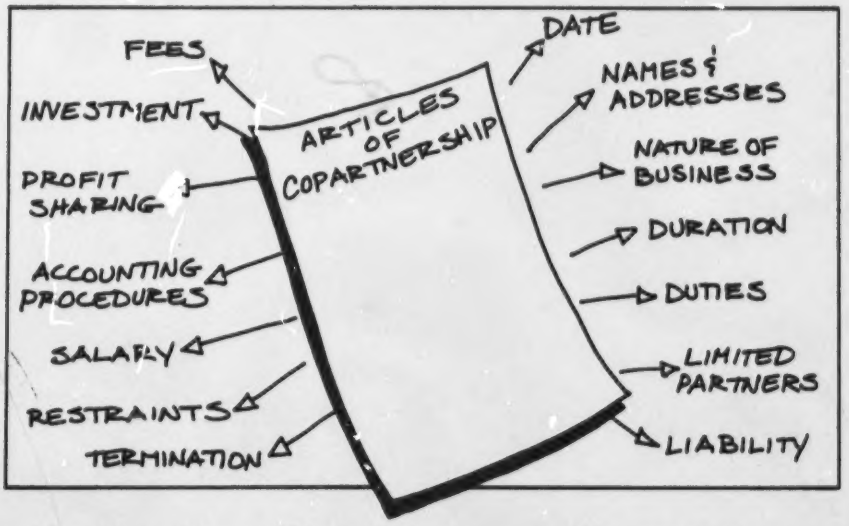
Another type of limited partner is the *secret partner*. The secret partner contributes financially, but not always a full share. The secret partner offers expertise to the company and wishes to be actively involved in the day-to-day management, but for some reason, does not wish to be known as a partner by the general public. For example, the doctor who owns part of a drug store may fear public criticism and want to avoid possible "conflict of interest" charges.

There is also the *dormant partner*. The dormant partner does not take an active part in the management, but like a silent partner invests a full share in the business. Like the secret partner, this person also is not known by the general public as a partner, but is an investor and part owner.

Another type of partner is the *nominal partner*. This individual is not a real owner as the others are. The nominal partner is generally someone well-known in the community who allows his or her name to be associated with the firm for promotional purposes. Instead of a percentage of the profits, the nominal partner is paid a fee. The nominal partner takes no part in running or owning the business and receives no part of the profits.

WHAT ARE ARTICLES OF COPARTNERSHIP?

To insure that the profits are shared and to define the type of partners the business will have, the partnership needs a written contract. This contract is called the *Articles of Copartnership*. This

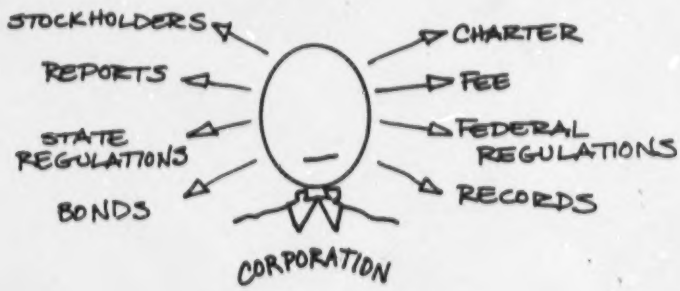


contract also defines duties and division of profits. With all the possible partner arrangements available, it is easy to see why a written contract is necessary.

WHY CHOOSE THE CORPORATE FORM OF OWNERSHIP?

The corporation is the largest form of business organization in terms the number of people employed and dollar volume of business.

Most corporations are large and have extended markets. Many are former sole proprietorships or partnerships that became so successful that expansion was both profitable and necessary. The corporate structure is often a necessity for a growing industry.



It is quite easy to transfer ownership in a corporation. The actual owners of a corporation are those who own shares of stock—the stockholders. Each share represents one vote in management decisions. One person may own one share or millions of shares. Share owners may receive a financial return for their investments called a dividend. Many large corporations pay dividends four times a year. Thus, the owners of a corporation are basically investors who are looking for a return on money invested. They do not desire to be active managers of the business.

It is the job of the stockholders to elect the board of directors. Usually the board is made up of some of the more active or important stockholders. It is the board's job to make all the major decisions and to establish the policies of the company. These stockholders also appoint and assign job responsibilities to the officers of the company. These are the president, secretary, treasurer, and various vice-presidents. These officers manage the day-to-day business operations. In addition, the board of directors needs to look closely at the rates and the degree to which current owners want to spread control and ownership influence before deciding to issue bonds, preferred stock, or common stock to raise more capital.

ARE THERE DIFFERENT TYPES OF STOCK?

The two main kinds of stock sold by most major corporations are *common stock* and *preferred stock*. Owners of common stock usually have full voting rights in any decisions of the company. They do not receive a stated dividend, but do get a share of any profits that are made. In other words, the dividend may vary or may not be paid at all in bad times. It depends on the earnings of the corporation that quarter. Common stock can bring higher dividends during the corporation's good years. It may bring little or no income when times are bad. If the corporation dissolves, the common stockholders are the last to be paid back their investment after all debts and preferred stockholders have been paid.

The preferred stockholder gives up voting rights in order to get certain preferetial treatment in other areas. Any time a dividend is declared, preferred stockholders are paid in full. They are paid before the common stockholders receive any dividend. The preferred stockholder is usually paid a set amount. For example, he or she may receive 6 percent of par when par is $100, which means a 6 percent profit for each share held. Par value is an arbitrary value assigned to stock (both common and preferred) when it is issued. It does not represent what the stock would bring in the stock market. It is just a stated amount for bookkeeping and dividend purposes.

Thus, the holder of preferred stock is guaranteed a steady dividend. However, instead of being a percentage of par, the percentage is usually a set dollar amount per share. It is paid only when dividends are declared.

ARE THERE OTHER MEANS FOR CORPORATIONS TO RAISE CAPITAL?

The corporate form of business provides the owners with other ways of raising capital. Corporations may issue bonds that are long-term debts or debentures. These are sold to investors who generally receive steady interest on their investment for a specific period of time. The issuing of bonds is just a way of borrowing money for the business.

Corporations may also issue new stock to raise more capital. When more stock is issued, the percentage of earnings for each share is reduced.

WHAT ARE THE TWO TYPES OF CORPORATIONS?

There are two kinds of corporations—*closed* and *public*. For the owner of a small business, the closed corporation is usually preferable. In the closed corporation, the group of owners is few in number. These are usually relatives, friends, or partners. If stock is sold, it is sold to someone who already owns part of the stock and, therefore, does not expand control beyond existing stockholders. The option of issuing bonds and new stock is still present, but is not usually used. A closed corporation can choose to "go public" if it wants. A public corporation sells its stock to anyone who wants to buy it. The value of its stock is determined by the price (market value) that the public will pay rather than by the determination of value by a small group such as in the closed corporation.

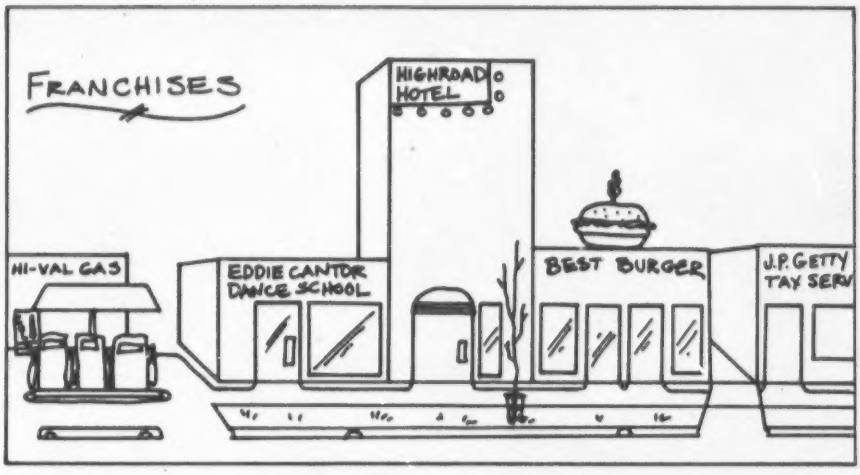
WHAT DOES IT MEAN TO BE INCORPORATED?

By law, a closed or open corporation must begin with at least two business associates. These associates must apply for a charter to the state in which they want to incorporate. These original owners are called the incorporators. Their names appear on the charter. The charter is called a Certificate of Incorporation. It is filed with the secretary of state of the state in which the owners wish to be incorporated. After the fee is paid and the charter accepted, the corporation can operate only in that state for the specific types of business listed on the charter.

It is easy to see that this form of business is more complicated than the others. Corporations face increased federal and state regulations. More reports and records are necessary, and the amount of paperwork increases as the corporation grows in size.

WHAT ABOUT FRANCHISING?

The franchise is the fastest growing form of business in the U.S. today. The franchising boom started after World War II. Franchising began with automobile and gasoline companies, who wanted control over "dealers" who sold their products. It now accounts for about 30 percent of all retail sales. Many types of businesses lend themselves to the franchise type of operation. Today, many motels, dance studios, tax services, vending machines companies, rental companies, and restaurants are franchised.



Although becoming a franchisee seems to be an easy way of becoming an entrepreneur, owning a franchise is no guarantee of success. Owning a franchise is not for all people who seek to be self-employed. Those who seek this type of self-employment should be wary of fraudulent promoters.

A franchise represents a continuing relationship between the franchisor and the franchisee. The franchisor's knowledge, image, success, and manufacturing and marketing techniques are supplied to the franchisee for a price. The entrepreneur who buys a franchise buys a "prepackaged" business that is operated under a contract with the franchisor. As far as the public is concerned, the business is indistinguishable from a company-owned outlet.

WHAT SERVICES ARE AVAILABLE TO FRANCHISE OWNERS?

Most franchisors provide many services to the franchisee. One of the most important services a franchisor provides is credit to the franchise. Credit can be in the form of inventory or on the form of cash loans. This means that franchises need less operating capital at the outset.

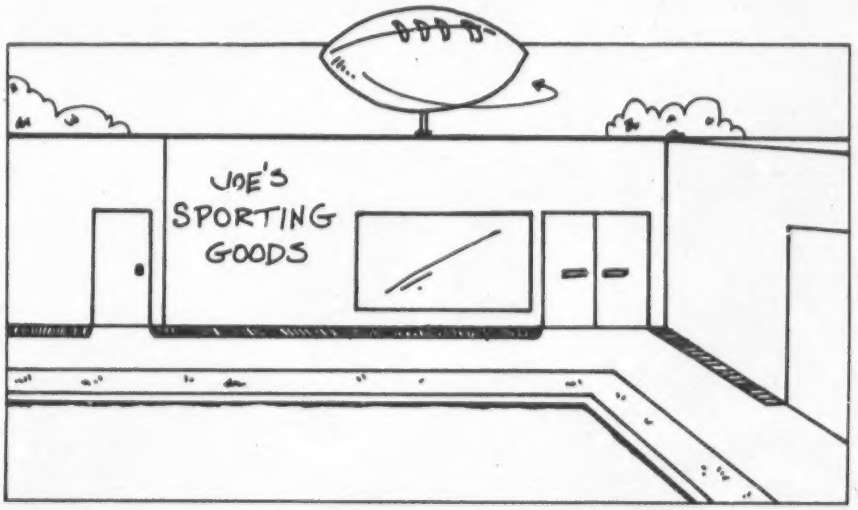
Franchisees normally receive special training before opening the business, and receive continued managerial assistance, such as audits, recordkeeping systems, and tax advice. Franchisees also receive merchandising assistance and the benefit of national advertising and promotion by the parent company. All these services are helpful to entrepreneurs who want to be their own boss but who may lack expertise in some areas of management, marketing, finance, or personnel.

ARE THERE DIFFERENT TYPES OF FRANCHISING?

There are two main types of franchise operations. The first is the *territorial franchise*. The area of "territory" may be so large (a whole city or state) that the franchisee can subfranchise parts of the territory. Therefore, besides running his or her own business, the franchisee gains extra income by supervising other franchise operators. The second is the *operating franchise*. The operating franchise is granted to a business owner who wishes to operate one business in a specific area.

WHAT FORMS DO FRANCHISES TAKE?

There are four basic forms of franchises. The *conventional franchise* is made between a manufacturer and a retailer. The retailer/franchisee is relatively free to maintain a sales force and individual advertising and management techniques. Conventional franchises are often found in car dealerships and gasoline stations.



In a *distributorship* form of franchise, the franchisee is a wholesaler who supplies the manufacturer's products to various retailers in a geographic area. The distributer is free to manage the operations and to select and serve customers in any manner she or he chooses. Beer sales are generally distributorship franchises.

A third type of franchise is the *licensed franchise*. This is the most common type of franchise, consisting of businesses such as fast food restaurants, print shops, and food markets. Licensed franchises are more closely linked to the parent company and are required to maintain certain standards. They receive more advertising, merchandising, and technical advice from the franchisor than do conventional or distributorship franchises.

In the *manufacturing franchise*, the franchisee is a manufacturer as well as a distributor. The franchisee makes the product locally, according to company standards, and usually distributes it to retailers. National soft drink manufacturers often use this form of franchising.

ARE THERE DISADVANTAGES TO FRANCHISING?

There are drawbacks to the franchise operation. The franchisee loses a certain amount of business control that a sole proprietor has. An initial fee, as well as monthly fees, must normally be paid to the parent company. Fees are generally a percent of gross sales, a fixed fee per month or year, or a combination of the two.

WHAT ARE THE BASIC PRINCIPLES OF COOFERATIVES?

Cooperatives, in general, operate under the following set of basic principles:

- Cooperatives provide goods and services to members at cost;
- Control of the cooperative is in the hands of its members;
- Federal and state laws specify maximum interest rates that a cooperative may pay on stock.

The desire to save money always seems to be the primary reason for the development of cooperatives. With the exception of those formed by farmers, cooperatives have never taken hold in the U.S. as they have in Europe. Finland, for example, has cooperatives in almost every type of retail, wholesaling, and farming business. In recent years, cooperatives in the U.S. have become more important in child daycare centers, food stores, group health cooperatives, and credit unions.

Credit unions have become a major lending institution for many citizens. In addition to making loans, credit unions perform other services. They provide group travel plans, traveler's checks, and notary public services. A line of credit can be established for a member, allowing for withdrawal of money as needed up to the limit set by the credit line. Interest is paid only on the money drawn, not on the line of credit.

WHAT FACTORS INFLUENCE THE FORM OF OWNERSHIP?

Choosing the type of ownership for your business requires that you examine many factors to determine which type will best suit your needs. You should examine such factors as—

- start-up costs
- the amount of control you desire
- the amount of personal risk you are willing to assume
- need for assistance in particular areas
- need for continuity
- need for flexibility

Table 1 identifies some of these factors as advantages and disadvantages to the particular type of ownership in which you may be interested.

ARE SOURCES AVAILABLE TO AID YOU IN CHOOSING A TYPE OF OWNERSHIP?

Additional factors may be important to you. Make a list of them. Find out how those factors tend to vary from one type of organization to another. The following section gives you suggestions for obtaining information.

Prior to starting a business, an entrepreneur should investigate sources of assistance in choosing a type of ownership. The information presented here is for the purpose of providing a "starting point" for you if you are interested in starting a business. An excellent place to begin is with the Small Business Administration (SBA). In a recent publication *Your Business and the SBA*, the SBA defines a small business as one that is independently owned and operated and is not dominant in its field. The *Resource Guide* contains a list of SBA field offices.

You may also wish to investigate such sources as your local chamber of commerce, Better Business Bureau, and your local bank.

TABLE 1

ADVANTAGES/DISADVANTAGES OF TYPES OF OWNERSHIP

Forms of Ownership	Advantages	Disadvantages
Sole Proprietorship	1. Low start-up costs 2. Greatest freedom from regulation 3. Owner in direct control 4. Minimal working capital requirements 5. Tax advantage to small owner 6. All profits to owner	1. Unlimited liability 2. Lack of continuity 3. Difficulty in raising capital
Partnership	1. Ease of formation 2. Low start-up costs 3. Additional sources of venture capital 4. Broader management base 5. Possible tax advantage 6. Limited outside regulation	1. Unlimited liability 2. Lack of continuity 3. Divided authority 4. Difficulty in raising additional capital 5. Difficulty in finding suitable partners
Corporation	1. Limited liability 2. Specialized management 3. Transferable ownership 4. Continuous existence 5. Legal entity 6. Possible tax advantages 7. Ease of raising capital	1. Close regulation 2. Most expensive form to organize 3. Charter restrictions 4. Extensive recordkeeping 5. Double taxation
Franchise	1. Smaller-than-usual capital investment 2. Less working capital than normally required 3. Prior public acceptance of product or service 4. Management assistance 5. Better-than-average profit margins	1. Possible high franchisor fees, supplies, and charges 2. Some loss of independence 3. Possible difficulties in cancelling contracts

SOURCE: Adapted from Kuebbeler, Gary L.. *Going into Business for Yourself.* Columbus: Ohio Distributive Education Materials Lab, The Ohio State University, n.d.,

Another source of information to consider is the Federal Trade Commission (FTC). There are FTC offices in various localities. The address of the main office in Washington, D.C. is: Federal Trade Commission, Pennsylvania Avenue and 6th Street, N.W., Washington, D.C. 20580.

Another of the many ways to find out about franchises all over the United States are the articles in many consumer magazines such as *Business Week* and *Time*, in many industry trade journals, and in newspapers. *The Wall Street Journal* (especially the Wednesday's edition) and *The New York Times* frequently carry franchise advertisements in their "business opportunity" sections.

Your local newspaper can be one of the best sources of information regarding available franchises. It will give the prospective franchisee (or even the prospective sole proprietor or partner) a good idea of the kinds of business that might succeed in the geographical area.

Franchising associations that may be of aid are listed in the *Resource Guide*. More information can be found at your local library.

ACTIVITIES

Do you feel knowledgeable about the basic principles of the different types of ownership, and where to seek additional information? The following activities will help you assess your knowledge.

INDIVIDUAL ACTIVITY

Assume you are going into business for yourself and need to choose the most appropriate type of ownership for your situation. Prepare a paper three to four pages in length, briefly describing your situation, and expand on information you have been able to obtain from various sources. Describe which form of ownership you would use and explain why.

GROUP ACTIVITY

Get together in small groups, three to four persons per group, and complete the following activities:

1. Make a chart that shows differences and similarities among general partners, secret partners, and nominal partners.
2. List the four forms of franchises on the following chart. Find several examples of each in your community.

Forms of Franchises	Examples from Community
1.	1.
2.	2.
3.	3.
4.	4.

3. Explain how the stockholders, board of directors, and officers of a corporation are interrelated.
4. What are the three principles of cooperatives?

CASE STUDY

Fifteen years ago, a partnership was formed by the Smith brothers to own and operate a retail appliance store. The store has been successful, and the operation of the store has gone well. However, at this point, Bill would like to leave the business to pursue other interests. John, the other brother, would like to continue operation of the store. John has some doubts concerning his ability to operate the store alone.

John feels that there is enough money to finance the store, but wonders if he will be able to perform all the tasks necessary in the business. John is examining the new tasks he will be performing if he operates the store as a sole proprietorship. While examining this situation, he is also looking at the advantages and disadvantages of obtaining a new partner.

The idea of a new partner is an option, but problems associated with a new partner must be examined. For example, what if John or the new partner dies?

1. What are the advantages and disadvantages of a proprietorship?
2. What are the advantages and disadvantages of a partnership?
3. What action would you recommend for John? Explain your answer in detail.

ASSESSMENT

Directions: Read the following questions to check your own knowledge of these topics. When you feel prepared, ask your instructor to assess your competency.

1. Identify characteristics of the following types of partners in a partnership:
   - General partner
   - Silent partner
   - Dormant partner
   - Nominal partner

2. List the main characteristics of a public corporation and a closed corporation.

3. Describe conditions under which you would want to offer common stock.

4. Identify types of services a franchisor may provide to a franchisee.

5. It is important that you are able to identify sources available to aid you in choosing a type of ownership. Identify at least six sources you could use to aid you in making a decision.

6. Identify at least five factors that influence the choice of a type of ownership.

NOTES

[1]U.S. Small Business Administration. *Your Business and the SBA.* Washington, DC: Small Business Administration, Office of Public Communications, April 1980.

We thank the above authors for permission to reprint from their work.

OTHER SOURCES USED TO DEVELOP THIS UNIT

Anthony, R.N., and Reece, J.S. *Accounting Text and Cases.* 6th ed. Homewood, IL: Richard D. Irwin, 1979.

Bank of America. *Buying a Franchise.* Small Business Reporter Series. San Francisco: Authors, 1979.

Hodgetts, R.M. *Effective Small Business Management.* New York: Academic Press, 1982.

IBP Research and Editorial Staff: *Tax Desk Book for the Small Business.* Englewood Cliffs, NJ: Institute for Small Business Planning, 1979.

For further information, consult the lists of additional sources in the *Resource Guide.*

PACE

Unit 1. Understanding the Nature of Small Business

Unit 2. Determining Your Potential as an Entrepreneur

Unit 3. Developing the Business Plan

Unit 4. Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors Guide

Units on the above entrepreneurship topics are available at the following three levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business

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